# APPROACHING CHAPTER 9, VOLUME 3 IN A PRACTICAL MANNER.

*This article is based on a letter I wrote to those participating in the Capital Reading Group which meets via Zoom every Sunday when we discuss a specific Chapter in Das Kapital. It was written after I viewed last Sunday's meeting which was held to discuss Christopher Arthur's new book; The Transformation Procedure in "The Spectre of Capital - Idea and Reality". The presentation can be viewed here on YouTube https://www.youtube.com/watch?v=7CTh3qq4PrQ*

Having watched his presentation I have no intention of reading the book. I believe that trees should remain a carbon-sink and not be converted into paper becoming the medium for sinking-ideas. We really do not need to capture new ideas about Marx by authors who do not understand Marx in the first place. I long ago concluded that Academic Marxists with their propensity to render Marx more profound or to re-interpret him play the same role as the young-Hegelians did in Marx's day, an intellectual dead-end.

To understand Chapter 9 the reader must comprehend the difference between capital and revenue. In Chapter 9 the total capital in the tables found there amount to 500 (yellow highlighted below) and revenue to 110 (green highlighted). The capital of 500 comprises constant capital totaling 390 and variable capital totaling 110 as shown in the second bottom row. As we do not have to consider turnover the rate of surplus value is 100% yielding total surplus value of 110 (blue highlighted). In other words, of the new value of 220 produced by workers during each cycle of production, 110 is paid and 110 goes unpaid. (The link to the Chapter can be found by clicking on the heading to the table below.)

**Second Table in Chapter 9.**

| Capitals | Rate of Surplus-Value | Surplus-Value | Rate of Profit | Used up c | Value of commodities | Cost-Price | |
|---|---|---|---|---|---|---|---|
| I. $80_c + 20_v$ | 100% | 20 | 20% | 50 | 90 | 70 | |
| II. $70_c + 30_v$ | 100% | 30 | 30% | 51 | 111 | 81 | |
| III. $60_c + 40_v$ | 100% | 40 | 40% | 51 | 131 | 91 | |
| IV. $85_c + 15_v$ | 100% | 15 | 15% | 40 | 70 | 55 | |
| V. $95_c + 5_v$ | 100% | 5 | 5% | 10 | 20 | 15 | |
| $390_c + 110_v$ | — | 110 | 110% | — 202 | — 422 | — | Total |
| $78_c + 22_v$ | — | 22 | 22% | — | — | — | Average |

Not all the constant capital is used up during the cycle of production. Of the 390 only 202 circulates (blue highlighted) and is consumed leaving 188 unused. In turn, the value of production is only equal to its circulating part which comprises 202 in constant capital, 110 in variable capital yielding 110 in surplus value. This total of 422 is equal to the Value of Commodities found in column 6 (pink highlighted).

At the end of the cycle of production and upon the commodities being sold, the class of capitalists will be in possession of 422 in money. To restart production they will have to use 202 to buy new means of production and 110 to rehire their workers in order to restart production once more. They will have

converted 312 of their money back into capital by throwing it back into reproduction. Thus this capital has a circular movement which is why Marx called it circulating capital.

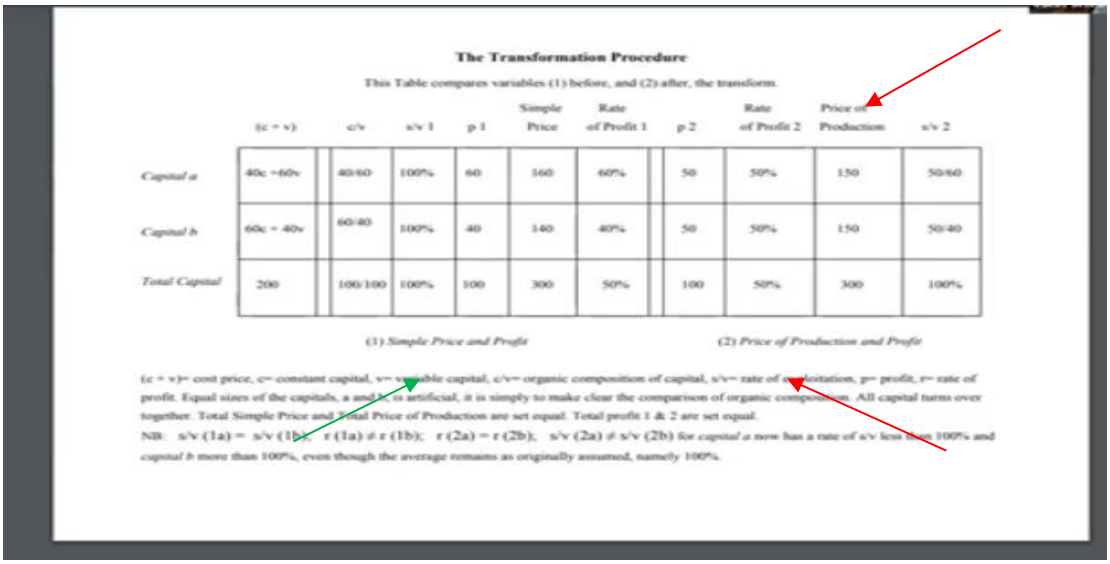
This leaves the 110 in surplus value which the capitalist claim as their profit. The class of capitalists pocket this 110 to be spent on themselves. Here there is no circular movement only a linear movement, value exiting production never to return. That is the difference between revenue here and capital. Revenue is consumed by the capitalist while capital is re-invested in the factors of production to ensure reproduction.

Now had the various critics of Marx made the distinction between capital and revenue they would have understood Marx's intent in this Chapter. He needed to reconcile prices with value so that capitals of differing composition yielded average rates of profit. He showed how this would work theoretically. Surplus value would need to be transferred between the capitals. While the total revenue remains the same – 110 - each capitalist now pockets a different sum of profit.

This is affected through a change in price, or more accurately by prices diverging from value. This is the limited purpose of this chapter. It is there to show how much surplus value needs to be transferred, in this case 26, and in which direction to achieve a theoretical average rate of profit. That is all, which is why Marx calls this half-way house "**Price of commodities**" and not "**Price of production"** which requires a further step, the pricing of capital as well.

Now remember revenue exits production and is consumed privately and unproductively by the class of entitled capitalists. So the fact that each may receive more or less profit than before is inconsequential because once profit has exited production it has exited production. It can have no effect on the prices of production itself. The capital remains unaltered at 500 and the capitals making up the 500 each comprise 100 as before in their value form. There is thus no need to price the inputs in an example intended to show by how much and in which direction surplus value must be transferred to achieve an average rate of profit.

The only incongruity which exists, exist in the heads of his critics who cannot appreciate the incongruity between capital and revenue. And unfortunately Christopher Arthur is one of those as he uses the term prices of production (as red arrowed) in his introductory table to the talk. I will return to his use of simple prices in my letter.. In short, both his bookends are wrong.



**The Transformation Procedure**

This Table compares variables (1) before, and (2) after, the transform.

| | (c + v) | c/v | s/v 1 | p 1 | Simple Price | Rate of Profit 1 | p 2 | Rate of Profit 2 | Price of Production | s/v 2 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Capital a* | 40c +60v | 40/60 | 100% | 60 | 160 | 60% | 50 | 50% | 150 | 50/60 |
| *Capital b* | 60c + 40v | 60/40 | 100% | 40 | 140 | 40% | 50 | 50% | 150 | 50/40 |
| *Total Capital* | 200 | 100/100 | 100% | 100 | 300 | 50% | 100 | 50% | 300 | 100% |

(1) *Simple Price and Profit* (2) *Price of Production and Profit*

(c + v)= cost price, c= constant capital, v= variable capital, c/v= organic composition of capital, s/v= rate of exploitation, p= profit, r= rate of profit. Equal sizes of the capitals, a and b, is artificial, it is simply to make clear the comparison of organic composition. All capital turns over together. Total Simple Price and Total Price of Production are set equal. Total profit 1 & 2 are set equal.

NB: s/v (1a) = s/v (1b); r (1a) ≠ r (1b); r (2a) = r (2b); s/v (2a) ≠ s/v (2b) for *capital a* now has a rate of s/v less than 100% and *capital b* more than 100%, even though the average remains as originally assumed, namely 100%.

**My letter to the Group with minor alterations.**

"Greeting Comrades in the Capital Reading Group.

The distance between myself and most of the participants in the Zoom group remains wide. I watched the Zoom meeting on the 8th August with a sinking heart. It reminded me how much I object to being taken on an intellectual vacation to the no-man's land existing between essence and appearance.

Here is my alternate diagram for Chapter 9. Once Marx introduces the observation in the Chapter that prices of production exist only at a higher stage of capitalist production, he implies there was a lower stage. Thus he is being sufficiently concrete so as to be historical. What he is describing is the movement from the lower to the higher stage of capitalist production. So my diagram of Chapter 9 is as follows and it is eminently practical. The dividing line being the industrial revolution as set out by William Jeffries.

| Lower stage of capitalism | Higher stage of capitalism |
|---|---|
| | |
| The period of manufacturers | Mass and large scale industrialization, industrial capital now dominates |
| Commodities circulate as products of labour | Commodities circulate as products of capital |
| Age of classical economists | Age of vulgar economists |
| Market values determine market prices | Prices of production determine market prices |
| Simple values are converted to market values | Market values are converted into prices of production. |
| Unequal exchange is largely confined to within an industry, i.e. individual values within an industry are transformed into the market value for that industry whose individual values may lie above or below the market value. | Unequal exchange becomes endemic by expanding from within industries to between industries driven by the differing compositions of capital found in the various industries acting on prices of production. |

That is all. Nothing more needs to be considered especially abstract labour or simple value or simple prices because it has been already converted into market value. There is no necessity to jump between the abstract and the concrete as this is distracting rather than abstracting. What needs to be converted is market value into prices production or what is the same thing; the market prices found in the lower stage of capitalist production into the market prices found in the higher stage of capitalist production. Everything else is irrelevant. (See Note 1. Not in original letter.)

Now it is important to bear in mind that while prices **diverge** from values they do not **detach**. Therefore it is possible to model the relationship between the two. Those, like William Jeffries who assume disassociations, i.e. associations severed after the industrial revolution don't bother to examine what was methodologically short in Chapter 9. Instead they satisfy themselves with the notion that it is impossible to link prices to their values so nothing more needs to be done.

Therefore they do not expose the deficiencies in Marx's methodology as detailed in Chapter 9. The incongruity between inputs and outputs in Chapter 9, to which critics point, is not a living incongruity

driven by the complexity of the market but is due to a missing assumption. In Chapter 9, Marx one-sidedly redistributes surplus value based solely on one criteria, that of capital - how much surplus value and in what direction it needs to be redistributed to equalize the rate of profit. I understand his intent, because he was not trying to provide a complete answer, which is why he never used the term prices of production in his tables but the price of commodities, a half-way house so to speak.

What he did not consider was the different quanta of surplus value each capital produced in its value form prior to distribution. Thus by solely focusing on capital, the redistribution of surplus value is not proportional to the amount of surplus value originally produced by each of the 5 capitals. I solve this conundrum in my attached article which I know annoys William Jeffries who remains an interesting theorist. Please pay particular attention to 'Table 2 (Revised)' on page 5.

Thus when we consider the movement of surplus value two, not one, considerations arise. Firstly, it must be proportional to the amount of capital so that rates of profit converge, secondly it must be proportional to the mass of surplus value from which it arises and to which it is sent, which modifies this convergence. Reconciling these two proportionalities creates a taut range wherein resides the rate of profit. In addition because these two proportionalities change, especially the production of surplus value itself, this range is dynamic not fixed

This would conform to reality where rates of profit converge due to the movement of capital but are not identical. (Please see the added **Note 2** not in the letter, taken from the Theories of Surplus Value, Volume 3, the Addendum section. This is one of the most comprehensive discussions by Marx on the movement of the rate of profit and the time taken for its adjustment.)

This convergence can only be seen once circulating capital is added to fixed capital. Without circulating capital, and there are no exceptions, 'labour intensive' industries (below average composition) always have *rates of return* that are higher than the ones found in 'capital intensive' industries (above average composition). However, the ratio of circulating capital to fixed capital in 'labour intensive' industries is always higher than that found in 'capital intensive' industries because of the effect of variable capital. Thus when we add in the relatively higher levels of circulating capital to fixed capital in 'labour intensive' compared to 'capital intensive' industries, it depresses the rate of profit more than in 'capital intensive' industries aligning their rates of profit. (I have shown this to be so in various articles on my website theplanningmotive.com)

In future I will be attending meetings in an intermittent way depending on the Chapter being discussed as I feel I cannot dissuade many of you from focusing on sentences looking for deeper meanings, rather than looking at the bigger picture. As Marx himself would have said; "ours is not to interpret Das Kapital, but to use it to change the world."

All the best to you.

Brian Green."

**Returning to Christopher Arthur.**

In the discussion he compounds his errors by claiming that high composition capital, therefore big C, automatically produces a higher rate of surplus value s/v because it props up values. Andy Higginbottom correctly criticised him for this. It only appears that higher composition industries have higher rates of

surplus value because of the additional amount of surplus value they 'capture' via the pricing mechanism based on prices of production. This capture of surplus value adds to the surplus value these workers already produce within that given industry. True higher composition industries have higher productivities but while that cheapens output immediately it leaves rates of surplus value unaffected until these new prices translate into lower prices for the articles of consumption that makes up the basket of goods consumed by workers. This cheapening of labour power raises the rate of surplus value, not only in high composition industries but lower composition ones as well, by reducing the value of labour power making possible the increase in the relative rate of exploitation through reducing the paid part of the working day. After all a cheaper loaf of bread does not distinguish between the mouth of a worker working in a high composition industry and one working in a lower composition industry.

But there is a difference between high composition and low composition in a specific sense which all the Academic Marxists avoid and it has nothing to do with productivity. It is the issue of skill which was not discussed in the meeting. Higher composition industries have higher densities of skilled workers than do low composition industries. So too countries. Take Apple and Foxconn before it started introducing robots at scale as an example. Apple campuses in California and other parts of the USA concentrate its intellectual labour - R&D and design - while in China the iPhones are assembled on lines where small hands rather than big brains are needed so to speak.

Thus when we are talking of skill we are no longer allowed to talk about physical hours but economic hours or compound hours (Engels) because a higher skilled worker produces more value in a given time than does a lesser skilled worker. By using economic hours to adjust for this value variation we note that if a low skilled worker's value is equal to 1, then a higher skilled worker's value output would be 1+, the + indicating that the economic hours would exceed 1. Thus total economic hours would exceed the physical hours mathematically and furthermore they would be concentrated in high composition industries. Accordingly, economic hours would exceed physical hours in high composition industries by a bigger margin than in low composition industries. Thus the average amount of value per worker will be greater in the high composition industry than in the lower composition industry as will the economic hours which measure this.

This has a bearing on imperialism. The dominant economies on average have a higher density of above average composition industries compared to the dominated economies. This means they tend to produce more value per productive worker on average than do dominated economies. Before there can be any discussion around the transfer of value between countries, this needs to be accounted for first.

There are many streams of transfer of value between countries. Prices of production being only one. Prices of production favour the dominant economies for the reasons described above, and there is thus a transfer of value from these economies to the dominant ones in the West via prices of production. But this is only one form of transfer, and I would argue it is not as big as the transfer of value via discounts. These are the discounted prices the monopoly customers in the West - say Walmart or Tesco or Home Depot - demand of their Chinese or Vietnamese manufacturers. When Chinese manufacturers produce for these Western distribution giants who may be their dominant customer, they are forced to sell at prices more or less dictated to by their customers. Then there are the joint ventures, or the contracted manufacturers where the Chinese capitalist is a mere agent working for a Western principal, or overpriced imported technical components, licensing fees, cartels based in London and New York, and so on, all of

which enriches the West at the expense of the East and South. And all this before the visible transfers - remitted profits and interest payments - are made.

**In conclusion.**

Attempting to resolve the *Transformation Problem* has been a graveyard for most Marxian Theoreticians.

**Note 1.** This is why I have argued that Engels made an error in editing Volume 3. Chapter 10 should have come before Chapter 9, which would have been the logical and historical thing to do. Had Engels done that, no one would be arguing today that the capitals in the tables in Chapter 9 represent market values. The simple truth is that simple prices or values cannot be directly transformed into prices production, they have to be transformed into market values first. This elegant analogy shows why. We can compare simple, market and prices of production, to the pre-puberty child, the post-puberty teenager, and the adult. If we were to compare the child to the adult while omitting the teenager stage, we would be describing the adult as an overgrown child because the whole stage of hormonal development associated with the teenager stage would have been ignored. Similarly with market value, once commodity production became generalized in the lower stage of capitalist production, it fed into market prices.

Despite me banging on about this for years, Academic Marxists such as Christopher Arthur have yet to accept this. It strikes me these academics are a cabal who bat the same concepts backwards and forwards in differing combinations and in different orders and who are resistant to external concepts or contributions unless they appear in learned publications.

**Note 2. (Quotes from Marx describing the difference between the rate of interest and that of profit.)**

*A general rate of interest corresponds naturally to the general rate of profit. It is not our intention to discuss this further here, since the analysis of interest-bearing capital does not belong to this general section but to that dealing with credit. However the observation that the average rate of profit appears much less as a palpable, solid fact than does the rate of interest is important for the elaboration of this aspect of capital. True, the rate of interest fluctuates continuously. [It may be] 2 per cent today (on the money market for the industrial capitalist—and this is all we are discussing), 3 per cent tomorrow, and 5 per cent the day after. But it is 2 per cent, 3 per cent, 5 per cent for all borrowers. It is a general condition that every sum of money of £100 yields 2 per cent, 3 per cent or 5 per cent, while the same value in its real function as capital yields very different amounts of real profit in the different spheres of production. The real profit deviates from the ideal average level, which is established only by a continuous process, a reaction, and this only takes place during long periods of circulation of capital. The rate of profit is in certain spheres higher in some years, while it is lower in succeeding years. Taking the years together, or taking a series of such evolutions, one will in general obtain the average profit. Thus it never appears as something directly given, but only as the average result of contradictory oscillations. It is different with the rate of interest. In its generality, it is a fact which is established daily, a fact which the industrial capitalist regards as a pre-condition and an item of calculation in his operations. The average rate of profit exists indeed only as an ideal average figure, insofar as it serves to estimate the real profit; it exists only as an average figure, as an abstraction, insofar as it is established as something which is in itself complete, definite, given. In reality, however, it exists only as the determining tendency in the movement of equalisation of the real, different rates of profit, whether of individual capitals in the same sphere or of different capitals in the different spheres of production.*

*||897| What the lender demands of the capitalist is calculated on the general (average) rate of profit, not on individual deviations from it. Here the average becomes the pre-condition. The rate of interest itself varies, but does so for all borrowers.*

*This is not the place to go into the reasons for this greater stability and equality of the rate of interest on loan capital in contradistinction to the less tangible form of the general rate of profit. Such a discussion belongs to the section on credit. But this much is obvious: the fluctuations in the rate of profit in every sphere—quite apart from the special advantages which individual capitalists in the same sphere of production may enjoy—depend on the existing level of market prices and their fluctuations around cost-prices. The difference in the rates of profit in the various spheres can only be discerned by comparison of the market prices in the different spheres, that is, the market prices of the different commodities, with the cost-prices of these commodities. A decline in the rate of profit below the ideal average in any particular sphere, if prolonged, suffices to bring about a withdrawal of capital from this sphere, or to prevent the entry of the average amount of new capital into it. For it is the inflow of new, additional capital, even more than the redistribution of capital already invested, that equalises the distribution of capital in the different spheres. The surplus profit in the different spheres, on the other hand, is discernible only by comparison of the market prices with cost-prices. As soon as any difference becomes apparent in one way or another, then an outflow or inflow of capital from or to the particular spheres [begins]. Apart from the fact that this act of equalisation requires time, the average profit in each sphere becomes evident only in the average profit rates obtained, for example, over a cycle of seven years, etc., according to the nature of the capital. Mere fluctuations—below and above [the general rate of profit]—if they do not exceed the average extent and do not assume extraordinary forms, are therefore not sufficient to bring about a transfer of capital, and in addition the transfer of fixed capital presents certain difficulties. Momentary booms can only have a limited effect, and are more likely to attract or repel additional capital than to bring about a redistribution of the capital invested in the different spheres.*

Brian Green, 13th August 2022 (solar cycle 25).